

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Lifeline and Link Up Reform and Modernization)	WC Docket No. 11-42
)	
Lifeline and Link Up)	WC Docket No. 03-109
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	
Advancing Broadband Availability Through Digital Literacy Training)	WC Docket No. 12-23
)	

REPLY COMMENTS OF BUDGET PREPAY, INC.

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I. Introduction and Summary.

Budget PrePay, Inc. (“Budget PrePay”) hereby files these Reply Comments in response to the Comments filed April 2, 2012 in the above-captioned Further Notice of Proposed Rulemaking (“*Further NPRM*”).¹ Budget PrePay provides low-cost prepaid wireless services and prepaid home telephone services on a nationwide basis to tens of thousands of customers. Budget PrePay has been designated as an ETC for its wireless operations in the states of Arkansas, Kentucky, Louisiana, Maryland, Nevada, Rhode Island, and Wisconsin, and has applications for Lifeline-only ETC designation pending before the FCC and several state commissions.

II. Support Amount for Voice Services.

In its *Further NPRM*, the FCC sought comment on whether to continue with a flat rate of reimbursement for Lifeline support.² The FCC also asked whether \$9.25 per month was the appropriate level of support.³

A. The Commission Should Maintain A Flat Rate For Lifeline Support.

Nearly all of the commenters supported a flat rate.⁴ Budget PrePay also supports a flat, uniform rate for all carriers, wherever they operate and regardless of the technology that they use. A flat rate is administratively simple and competitively neutral, and it provides critical certainty. Budget PrePay opposes the use of economic modeling to try to develop the “perfect”

¹ *In the Matter of Lifeline and Link Up Reform and Modernization*, WC Docket No. 11-42, Report and Order and Further Notice of Proposed Rulemaking, FCC 12-11 (rel. Feb. 6, 2012), 77 FR 12952 (“*Lifeline Reform Order*”) and 77 FR 12784 (“*Further NPRM*”).

² *Further NPRM* at ¶¶ 463, 468.

³ *Id.* at ¶ 464.

⁴ See e.g. Comments of: AT&T at 28, CompTel at 20, General Communications, Inc. (“GCI”) at 3, Nexus at 3, T-Mobile USA, Inc. (“T-Mobile”) at 5, TracFone Wireless, Inc. (“TracFone”) at 12, United States Telecom Association (“USTA”) at 4, Cox Communications, Inc. at 1, and Michigan Public Service Commission at 6.

rate.⁵ Economic modeling is much too complicated. Further, the “perfect” rate is very much a moving target, as consumer incomes change in relation to the rates charged by service providers, as markets change, as technologies change, and as competitors enter markets or leave markets (as the result of consolidation).

Budget PrePay opposes any approach based on the lowest-priced available offering in a particular geographic area, an option mentioned by the Commission,⁶ or based on the cost of providing service, an option supported by only two commenters.⁷ It makes no sense to set the Lifeline rate based on the lowest-priced offering in an area, or based on the cost of providing service. Lifeline is a low-income program, not a high-cost support program. The goal must be to make Lifeline affordable to eligible customers. Reducing the amount of Lifeline support to lower cost carriers will defeat the purpose of the Lifeline program.

Further, setting Lifeline rates based on the cost of providing service would be an enormously difficult, and inherently unreliable, process. Setting different rates for wireless and wireline service would further complicate the process, unduly reward higher-cost wireline carriers, and violate the principle of competitive neutrality. In all events, different Lifeline support amounts in different geographic areas will lead to uncertainty and unnecessary complications for carriers and confusion for customers.

⁵ See *Further NPRM* at ¶¶ 464 – 466.

⁶ *Id.* at ¶ 463.

⁷ See Comments of Montana Telecommunications Association at 4, and 13 – 16 and Comments of the Public Utilities Commission of Ohio at 6 – 9.

B. The Commission Should Maintain The Level Of Lifeline Support At A Minimum Of \$9.25 For At Least Three Years.

Nearly all of the commenters urged the Commission to retain the level of Lifeline support at the current level of \$9.25, or higher.⁸ Many of the commenters urged the Commission to examine the effectiveness of this support level before proposing any changes, and to change the support level as infrequently as possible.⁹

Budget PrePay urges the Commission to, at a minimum, maintain the support level at \$9.25 for at least three years, and preferably five years. The \$9.25 support level already represents a substantial reduction from the \$10.00 support level available to carriers in many states. Further, the Commission must recognize that the new compliance rules imposed by the *Lifeline Reform Order* significantly increase the costs incurred by carriers providing Lifeline service. If Lifeline providers pass on these higher costs to their customers, the Lifeline program will be less effective in achieving its overarching goal of ensuring that all Americans have access to affordable voice telephony service.

Based on the FCC's Paperwork Reduction Act filing, OMB estimated that the annual regulatory burden on ETCs to comply with the Lifeline rules is over 13.6 million hours, which equates to approximately \$550 million per year, over 31% of the \$1.75 billion disbursed by the

⁸ See e.g. Comments of: CompTel at 24, GCI at 3, i-wireless, LLC at 6, Sprint at 8, T-Mobile at 5, TracFone at 14, US Connect, LLC at 4, Independent Telephone & Telecommunications Alliance at 13, USTA at 4, and National Association of State Utility Commissioners at 4.

⁹ See e.g. Comments of: AT&T at 28, Nexus at 14, Verizon at 4, National Telecommunications Cooperative Association at 4, and USTA at 4.

low income program in 2011.¹⁰ The \$550 million annual cost, divided by 13.5 million customers, equates to approximately \$40.70 per Lifeline customer per year, or \$3.40 per customer per month, which is nearly 37% of the \$9.25 monthly support level.

The OMB estimate does not include the substantial costs of compliance with the third party audit rule for Lifeline carriers exceeding \$5 million in annual Lifeline support or the cost of verification of temporary addresses every three months.¹¹ General Communications, Inc. has estimated that the cost of compliance with the temporary address verification rule alone would be at least \$40 million per year.¹² If the FCC re-submits a request for approval of these requirements, and if OMB approves, the annual cost per customer could easily exceed 50% of the Lifeline subsidy.

Budget PrePay also recommends that support levels not be changed any more frequently than every three to five years. Each change in the support level imposes a huge burden on Lifeline providers and risks substantial confusion on the part of eligible customers.

C. The Commission Should Not Require Lifeline Providers To Provide Detailed Data On Their Customers.

Budget PrePay joins the commenters who oppose the Commission's proposal to "develop an estimate of the impact of different support amounts on voice service penetration based on data

¹⁰ FCC Supporting Statement, OMB Control No. 3060-0819 (March 2012), available at http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr+201203-3060-002. The FCC estimated 7.5 million hours of time for consumers, and 13.6 million hours of time (at \$40 per hour) for ETCs. *Id.* and Notice of Office of Management and Budget Action, 77 FR 25609, May 1, 2012 ("OMB Approval"). USAC reported 13.8 million Lifeline participants as of year-end 2011. Universal Service Administrative Company, 2011 Annual Report at 11. The FCC submission to OMB assumed that there were 13.5 million Lifeline customers (the number of annual re-certifications required).

¹¹ *See* OMB Approval, noting that the Commission's updated information collection request removed those portions of the initial request which sought approval for the temporary address re-certification and the biennial audit requirements. OMB further noted that the FCC may re-submit these requests at a later date for further reconsideration.

¹² Letter from John Nakahata, counsel to GCI, to Nicholas Fraser, Office of Management and Budget, March 23, 2012 at 10.

from the existing program,”¹³ to the extent that Lifeline providers would be required to submit extensive customer data to the Commission, or to USAC as part of the reimbursement process.¹⁴ It would be a huge burden for Lifeline providers to have to provide such data – and it is not at all clear how such data would be used or whether such data would be meaningful or useful. In fact, the Commission itself concedes that providing such data would be “burdensome”.¹⁵ As noted above, the cost of complying with the Lifeline regulations already exceeds 37% of the support level. Further burdens, and the commensurate increase in costs for Lifeline carriers, must pass a very high hurdle before they can be adopted. The provision of detailed customer data cannot pass this hurdle.

III. Budget PrePay Supports Certain Changes to the One Per Household Limitation.

Budget PrePay supports T-Mobile’s proposal to permit eligible households to receive one full Lifeline subsidy and support for additional lines at 50% of the full subsidy level,¹⁶ provided that the extra support is not limited to one ETC per household. It is essential that multi-person households have more than one phone. Many Lifeline phones are mobile. When the person with the mobile phone leaves the house, there may be no way for other members of the household to contact emergency services. Similarly, if two or more persons in the household are working (or looking for employment), the person without the mobile phone will not have access to telephony service. Support for additional lines must be made available to any ETC. This is especially important where the household already benefits from a Lifeline subsidy for its wireline connection, but requires a mobile phone for additional household members.

¹³ *Further NPRM* at ¶ 464.

¹⁴ *See e.g.* Comments of TracFone at 13.

¹⁵ *Further NPRM* at ¶ 466.

¹⁶ Comments of T-Mobile at 6 – 7.

IV. Lifeline Support Must Be Competitively Neutral Regardless Of The Business Model Of The Provider.

Budget PrePay strongly opposes Cricket's self-serving proposal to provide a Lifeline discount equal to 50% of the carrier's monthly charge, up to a total of \$10.00.¹⁷ The obvious goal of this proposal is to eliminate competition from Lifeline providers offering a free wireless plan with a limited number of voice minutes. The Commission has already carefully reviewed whether there should be a minimum monthly charge, and concluded that such a requirement is not in the public interest.¹⁸ Nonetheless, Cricket continues to criticize "prepaid service offerings consisting of a limited allotment of minutes" arguing that such plans "do not achieve the core objectives of the Lifeline program because they do not provide continuous connectivity to the PSTN."¹⁹ In fact, a central goal of the Lifeline program is to provide access to the PSTN – not unlimited access (which is Cricket's market strategy and not a statutory objective). Consumers should be given the option of choosing limited or unlimited plans, and the FCC should not make this decision for consumers. Free plans are invaluable to a large segment of customers who need connectivity, but not unlimited minutes. In all events, the Commission requires that Lifeline

¹⁷ Comments of Leap Wireless International, Inc. and Cricket Communications, Inc. (collectively, "Cricket") at 8 – 9.

¹⁸ *Lifeline Reform Order* at ¶¶ 266 – 268. The Commission expressed "concern[] that requiring a minimum consumer charge could be burdensome for these low-income consumers who lack the ability to make such payments ..., potentially undermining the program's goal of serving low-income consumers in need. *Id.* at ¶ 266. The Commission also found "that a minimum charge could potentially discourage consumers from enrolling in the program and could result in current Lifeline subscribers leaving the program." *Id.* at ¶ 267.

¹⁹ Comments of Cricket at 8.

handsets must always provide access to emergency services, and customers can buy additional minutes at a reasonable cost when they need such minutes.²⁰

V. Eligibility Databases.

Budget PrePay agrees in part with those commenters who support having a third party administrator perform the income and program documentation review, and make the initial Lifeline eligibility determinations for consumers who reside in states that do not currently perform this role – until such time as the national and state databases are available and coordinated (see below).²¹ However, the third party administrator must be able to perform such review and make such determinations in real time (including weekends and holidays), and in all events in less than 8 hours.

Budget PrePay also agrees with those commenters who recommend that the Commission should establish a centralized national clearinghouse for verifying program eligibility and participation in real-time.²² Most important, Budget PrePay agrees that there should be a single national portal that provides an interface to all relevant state and federal databases. As the commenters note, the Commission need not establish a single unified national database. It is sufficient to establish a “one stop shop” where Lifeline carriers can make a single inquiry to determine customer eligibility.

²⁰ Cricket asserts, without substantiation, that when customers run out of minutes they must pay “unreasonable rates” for additional usage. Comments of Cricket at 8. This is just not true. Budget PrePay offers additional minutes in increments as low as \$5.00 for 50 minutes (10 cents per minute). TerraCom, Inc. offers additional minutes in increments as low as \$5.00 for 60 minutes (8.3 cents per minute), and in larger increments for as low as 5 cents per minute. Revised Compliance Plan of TerraCom, Inc., filed March 16, 2012, at 10 – 11.

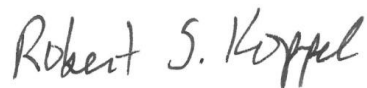
²¹ See Comments of: AT&T at 9 and USTA at 3.

²² See Comments of: AT&T at 4, Verizon at 2, CTIA at 2, Sprint at 3 - 4, T-Mobile at 3 and Cricket at 2.

VI. Conclusion.

Budget PrePay urges the Commission to maintain a flat, uniform Lifeline support rate for all carriers, and to maintain that rate at a minimum of \$9.25 per month. The Commission should not require Lifeline providers to furnish detailed customer information to the FCC or to USAC. Budget PrePay opposes Cricket's self-serving proposal to disadvantage the provision of free Lifeline service by limiting the Lifeline support amount to 50% of the monthly service rate. Finally, Budget PrePay supports the establishment of a real-time, single point of contact, national clearinghouse database for the verification of customer eligibility.

Respectfully submitted,



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